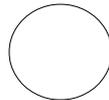


Trans-Pacific Partnership **ESTABLISHING DISCIPLINES FOR STATE-OWNED ENTERPRISES**

In many foreign countries, state-owned enterprises enjoy special privileges from their home government that give them an unfair advantage when they compete with fully commercial companies. The Trans-Pacific Partnership (TPP) is the first free trade agreement to discipline unfair advantages conferred on state-owned enterprises when they compete with private companies in international trade and investment. TPP helps level the playing field for American companies in the Asia-Pacific market.



Why State-Owned Enterprises Need New Disciplines

State-owned enterprises (SOEs) are foreign companies that are owned or assisted by their home governments. When foreign governments confer special advantages or benefits on SOEs, they can distort competition or limit market access by foreign commercial entities. Such benefits and advantages can consist of preferential financing by governments, including through state-owned banks; the provision of goods or services at preferential pricing or free of charge; the provision of direct subsidies or debt forgiveness; or preferential regulatory treatment. Concerns about SOEs have grown in recent years as SOEs are increasingly engaging in the global marketplace with the ability to negatively impact firms in the United States.

How TPP Breaks New Ground With SOEs

The TPP is the first regional trade agreement to establish disciplines which promote fair competition with SOEs that are principally engaged in commercial activities. (Note: SOEs formed to carry out a public service are not subject to TPP obligations).

The TPP disciplines seek to curb government favoritism regarding SOEs in several ways, all subject to binding dispute settlement. TPP provisions on SOEs include:

- Requiring SOEs to make commercial sales and purchases based on commercial considerations, not favoritism, and not to discriminate against goods or services from the TPP countries;
- Administrative bodies that regulate both SOEs and private companies must do so in an impartial manner, so that they do not use their regulatory authority to provide preferential treatment to their SOEs;
- SOEs should not receive subsidies that provide them with an unfair advantage that harms TPP firms; and
- Providing transparency regarding SOEs and their relationship with their government.